

House File 2443 - Reprinted

HOUSE FILE 2443
BY COMMITTEE ON JUDICIARY

(SUCCESSOR TO HSB 679)

(As Amended and Passed by the House February 24, 2022)

A BILL FOR

1 An Act relating to contract enforceability regarding smart
2 contracts and distributed ledger technology.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 554D.103, subsections 4, 8, and 9, Code
2 2022, are amended to read as follows:

3 4. "*Contract*" means the total legal obligation resulting
4 from the parties' agreement as affected by **this chapter** and
5 other applicable law. ~~"Contract" includes any contract secured~~
6 ~~through distributed ledger technology and a smart contract.~~

7 8. "*Electronic record*" means a record created, generated,
8 sent, communicated, received, or stored by electronic means.
9 ~~"Electronic record" includes any record secured through~~
10 ~~distributed ledger technology.~~

11 9. "*Electronic signature*" means an electronic sound, symbol,
12 or process attached to or logically associated with a record
13 and executed or adopted by a person with the intent to sign the
14 record. ~~"Electronic signature" includes a signature that is~~
15 ~~secured through distributed ledger technology.~~

16 Sec. 2. Section 554D.103, subsections 5 and 16, Code 2022,
17 are amended by striking the subsections.

18 Sec. 3. Section 554D.108, subsection 2, Code 2022, is
19 amended to read as follows:

20 2. A contract shall not be denied legal effect or
21 enforceability solely because an electronic record was used in
22 its formation ~~or because the contract is a smart contract or~~
23 ~~contains a smart contract provision.~~

24 Sec. 4. NEW SECTION. 554E.1 Definitions.

25 As used in this chapter, unless the context otherwise
26 requires:

27 1. "*Account*" means the same as defined in section 554.9102.

28 2. "*Chattel paper*" means the same as defined in section
29 554.9102.

30 3. "*Contract*" means the same as defined in section 554D.103.

31 4. "*Controllable account*" means an account evidenced by a
32 controllable electronic record that provides that the account
33 debtor undertakes to pay a person that under the uniform
34 commercial code has control of the controllable electronic
35 record.

1 5. *"Controllable electronic record"* means an electronic
2 record that can be subjected to control under any applicable
3 article of the uniform commercial code. *"Controllable*
4 *electronic record"* does not include a deposit account,
5 electronic copy of a record evidencing chattel paper,
6 electronic chattel paper, electronic document of title, money,
7 investment property, or a transferable record.

8 6. *"Controllable payment intangible"* means a payment
9 intangible evidenced by a controllable electronic record that
10 provides that the account debtor undertakes to pay a person
11 that under any applicable article of the uniform commercial
12 code has control of the controllable electronic record.

13 7. *"Deposit account"* means the same as defined in section
14 554.9102.

15 8. *"Digital asset"* means any electronic record that
16 represents or evidences economic value or economic,
17 proprietary, or access rights or is used as a medium of
18 exchange, unit of account, method of payment, or store of
19 value. *"Digital asset"* does not include a deposit account,
20 electronic record evidencing chattel paper, electronic chattel
21 paper, controllable account, controllable payment intangible,
22 money, electronic document of title, investment property, or
23 a transferable record.

24 9. *"Distributed ledger technology"* means an electronic
25 ledger or other record of transactions or other data to which
26 all of the following apply:

27 a. The electronic ledger is uniformly ordered.

28 b. The electronic ledger is redundantly maintained or
29 processed by more than one computer or machine to guarantee the
30 consistency or nonrepudiation of the recorded transactions or
31 other data.

32 10. *"Electronic"* means the same as defined in section
33 554D.103.

34 11. *"Electronic chattel paper"* means the same as defined in
35 section 554.9102.

1 12. "*Electronic document of title*" means the same as defined
2 in section 554.1201.

3 13. "*Electronic record*" means the same as defined in section
4 554D.103.

5 14. "*Electronic services system*" means the county land
6 record information system, or electronic services system,
7 created under the agreement entered into under chapter 28E
8 between the counties and the Iowa county recorders association
9 as required by 2005 Iowa Acts, ch. 179, §101, as amended by
10 2021 Iowa Acts, ch. 126, §2.

11 15. "*Investment property*" means the same as defined in
12 section 554.9102.

13 16. "*Money*" means the same as defined in section 554.1201.

14 17. "*Payment intangible*" means the same as defined in
15 section 554.9102.

16 18. "*Record*" means the same as defined in section 554D.103.

17 19. "*Smart contract*" means an electronic record that is an
18 event-driven program or computerized transaction protocol that
19 runs on a distributed, decentralized, shared, and replicated
20 ledger that executes the term of a contract, including but not
21 limited to, taking custody over and instructing the transfer
22 of assets.

23 20. "*Transaction*" means a sale, trade, exchange, transfer,
24 payment, or conversion of a digital asset or any other property
25 or any other action or set of actions occurring between two or
26 more persons relating to the conduct of business, commercial,
27 or governmental affairs.

28 21. "*Transferable record*" means the same as transferable
29 record defined in the federal Electronic Signatures in Global
30 and National Commerce Act, 15 U.S.C. §7021(a)(1), and as
31 defined in the Uniform Electronic Transactions Act, section
32 554D.118, subsection 1.

33 Sec. 5. NEW SECTION. 554E.2 Classification of digital
34 assets.

35 Digital assets are intangible personal property.

1 Sec. 6. NEW SECTION. **554E.3 Legal effect of distributed**
2 **ledger technology and smart contract.**

3 1. A record, signature, or contract shall not be denied
4 legal effect or enforceability solely because it is created,
5 generated, sent, signed, adopted, communicated, received,
6 recorded, or stored by means of distributed ledger technology
7 or a smart contract.

8 2. A contract shall not be denied legal effect or
9 enforceability solely because of any of the following:

10 a. The contract contains a smart contract term.

11 b. An electronic record, distributed ledger technology, or a
12 smart contract was used in the formation of the contract.

13 3. Notwithstanding any other law to the contrary, a person
14 using distributed ledger technology in the course of engaging
15 in or affecting intrastate commerce, interstate commerce, or
16 foreign commerce to secure information that the person owns
17 or has the right to use retains the same rights of ownership
18 or use with respect to such information as before the person
19 secured the information using distributed ledger technology.
20 This subsection does not apply to the use of distributed
21 ledger technology to secure information in connection with a
22 transaction to the extent that the terms of the transaction
23 expressly provide for the transfer of rights of ownership or
24 use with respect to such information.

25 Sec. 7. NEW SECTION. **554E.4 Conveyance of real estate**
26 **interest evidenced by electronic record.**

27 Any transaction subject to this chapter that is intended to
28 be evidenced by an instrument affecting real estate as defined
29 in section 558.1 and is intended to provide constructive notice
30 pursuant to section 558.11, or by any instrument that is
31 otherwise required by law to be recorded by the office of the
32 county recorder, shall be evidenced by a document that complies
33 with the provisions of chapter 558, in a format suitable
34 for recording and conforming with the document standards as
35 established by the electronic services system.

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1 Sec. 8. REPEAL. Section 554D.106A, Code 2022, is repealed.